



Risk Management



Risk Management

Mission Statement

The Risk Management Department effectively forecasts, controls, and eliminates the City's risks through the administration of comprehensive safety and liability/loss control programs. The Department also provides optimum service to employees through a variety of health, safety and other employee benefit programs. These crucial prevention-oriented programs greatly enhance the working environment and serve as an incentive for employee recruitment, retention and satisfaction, while protecting the City's assets, employees and citizens.

Department Description

The Risk Management Department manages the City's self-insured workers' compensation programs, coordinates public liability/loss control measures intended to forecast and reduce the City's exposure to risks, administers employee health and safety programs and the City's employee benefits contracts and programs.

Budget Dollars at Work

\$6,999,237 Saved by aggressively reviewing workers' compensation medical bills

\$2,069,688 Recovered from third parties for damage to City property

858 New employees enrolled in the City's benefit programs

1,770 Requests processed to change 401(k) and/or deferred compensation contributions and retirement plan transfers

Service Efforts and Accomplishments

As a result of internal reviews and external operational assessments conducted in recent years, and in response to rapidly rising workers' compensation costs, Risk Management developed an optimization plan. This plan will increase departments' awareness of the areas where losses are occurring and where resources should be applied to reduce the volume of incidents. The Safety and

Environmental Health Division is working with City departments to develop an aggressive, prevention-oriented program for each operating department to increase safety awareness and accountability and lower injury rates and costs.

Workers' compensation expenditures continue to increase nationally and throughout the State. In order to combat the extraordinary growth in workers' compensation expenditures, the Risk Management Department employed an integrated managed care approach to handling claims in June 2002. Two aspects of this new approach, bill review and the use of a Preferred Provider Organization, have resulted in an additional \$386,134 in savings during the first six months of Fiscal Year 2003. This represents an 11 percent increase in savings when compared to the first six months of Fiscal Year 2002. The caseloads handled by Risk Management claims representatives continue to exceed industry standards by 50 percent. The Employee Benefits Division enrolled and maintains benefits for 10,814 City employees.

Future Outlook

The Risk Management Department's Workers' Compensation section is preparing to assist departments in lowering their injury rates and associated costs by streamlining the paper-intensive workers' compensation claim process, and by providing management with department-specific loss reports related to injury rates and trends. The new Injury Tracking and Safety System (ITSS) implemented in Spring 2003 will enable claims representatives to more effectively manage claims, while providing operating departments with more accurate and timely information regarding their injured work force. This is also anticipated to eliminate penalties incurred due to frequent delays in the current claims process.

A centralized call-in center for injuries and accidents will also be implemented. This streamlined process will reduce the time to report a claim and reduce the wait time for employees needing medical attention. This process will increase the City's savings in the areas of industrial health care expenses and costs associated with the number of the industrial leave hours taken, and assist supervisors and managers in processing claims promptly and correctly.

Risk Management

Future Outlook (continued)

Despite the Risk Management Department's efforts to reduce costs, workers' compensation legislation effective in January 2003 will increase the costs associated with all new claims filed after that date. This poses significant and, as of yet, undefined negative cost impacts to the City in the long term unless meaningful worker's compensation reform takes place at the State Legislative level. The Risk Management Department is taking a proactive approach to addressing this issue with the City's Governmental Relations Department.

Risk Management

Division/Major Program Descriptions

Administration

This section provides policy direction, supervision and administrative control over the operations of the Department, including the Public Liability and Loss Recovery, Employee Benefits, Workers' Compensation, and Safety and Environmental Health Divisions. Staff prepares and administers the Department's budget, manages multiple information systems, provides loss data to operating departments, provides centralized payroll and fiscal document processing and provides timely input to the City Manager and the City Council in making loss control, revenue recovery, loss prevention and employee benefit decisions.

Employee Benefits and Assistance Program

The City provides its employees with a Flexible Benefits Plan, a Long-Term Disability Plan, Employee Savings Plans and an Employee Assistance Program. The Flexible Benefits Plan administers health, life, and other insurance coverage. Staff further determines eligibility for the Flexible Benefits Plan and processes claims for medical and childcare reimbursement options. The Long-Term Disability Plan provides non-industrially disabled City employees with income and flexible benefits coverage. The Employee Savings Plans allow employees to enhance their retirement years by fully participating in tax-deferred plans such as 401(k) and 457 plans. The Employee Assistance Program assists employees in solving personal and family problems affecting their work performance.

Public Liability and Loss Recovery

The Public Liability and Loss Recovery Division administers a self-insured program for public liability (tort) risks, which is supplemented by purchased excess liability insurance. The Division supports the following activities: investigation and settlement of all claims arising from the City's operation as a municipality; services to residents and special event promoters to ensure the public's interests are protected with appropriate insurance; selection and purchase of all risk and excess liability insurance; and investigation and recovery of damages to City assets caused by individuals and corporate entities.

Safety and Environmental Health

The goals of the Safety and Environmental Health Division are to assist departments in preventing losses to the City and to provide safe public facilities. The centralized staff of this division assists and works with line management in all City departments in an effort to reduce injuries and illnesses. The Division coordinates and conducts City Safety Program audits, City safety reporting, safety training, and workplace inspections; investigates and monitors employee injury and accidents; prepares the annually required Occupational Safety and Health Administration (OSHA) reports; and works with City departments to develop preventable safety and environmental health procedures.

Workers' Compensation

The City's Workers' Compensation Plan is self-insured and self-administered in accordance with the California Labor Code. Staff provides information and assistance to injured employees and other defined customers including all City departments. Staff further investigates, determines and delivers appropriate benefits including: all medical and

Risk Management

Division/Major Program Descriptions (continued)

Workers' Compensation

salary continuation benefits, death benefits to surviving dependents, and disability benefits. Finally, this plan coordinates vocational rehabilitation for disabled employees in compliance with State and federal mandates.

| Risk Management | | | | |
|-----------------------|---------------------|---------------------|---------------------|------------------------|
| | FY 2002 ACTUAL | FY 2003 BUDGET | FY 2004 PROPOSED | FY 2003-2004 CHANGE |
| Positions | 81.77 | 81.77 | 81.77 | 0.00 |
| Personnel Expense | \$ 5,248,102 | \$ 5,396,017 | \$ 5,708,225 | \$ 312,208 |
| Non-Personnel Expense | \$ 2,832,904 | \$ 1,644,762 | \$ 1,847,529 | \$ 202,767 |
| TOTAL | \$ 8,081,005 | \$ 7,040,779 | \$ 7,555,754 | \$ 514,975 |

Department Staffing

| | FY 2002 ACTUAL | FY 2003 BUDGET | FY 2004 PROPOSED |
|---------------------------------------|-------------------|-------------------|---------------------|
| RISK MANAGEMENT ADMINISTRATION | | | |
| Risk Management | | | |
| Administration | 6.52 | 6.52 | 7.52 |
| Employee Benefits | 16.50 | 16.50 | 16.50 |
| Public Liability & Loss Recvry | 16.50 | 16.50 | 16.50 |
| Safety & Environmental Health | 13.00 | 13.00 | 12.00 |
| Workers' Compensation | 29.25 | 29.25 | 29.25 |
| Total | 81.77 | 81.77 | 81.77 |

Risk Management

Department Expenditures

| | FY 2002 ACTUAL | FY 2003 BUDGET | FY 2004 PROPOSED |
|---------------------------------------|---------------------|---------------------|---------------------|
| RISK MANAGEMENT ADMINISTRATION | | | |
| Risk Management | | | |
| Administration | \$ 1,215,704 | \$ 687,184 | \$ 862,947 |
| Employee Benefits | \$ 1,349,174 | \$ 1,496,821 | \$ 1,613,148 |
| Public Liability & Loss Recvry | \$ 1,189,405 | \$ 1,268,317 | \$ 1,353,858 |
| Safety & Environmental Health | \$ 795,378 | \$ 1,072,006 | \$ 1,055,086 |
| Workers' Compensation | \$ 3,531,344 | \$ 2,516,451 | \$ 2,670,715 |
| Total | \$ 8,081,005 | \$ 7,040,779 | \$ 7,555,754 |

Significant Budget Adjustments

RISK MANAGEMENT ADMINISTRATION

| Risk Management | Positions | Cost |
|--|-----------|------------|
| Salary and Benefit Adjustments | 0.00 | \$ 313,201 |
| Adjustments to reflect the annualization of the Fiscal Year 2003 negotiated salary compensation schedule, Fiscal Year 2004 negotiated salaries and benefits, changes to average salaries, retirement contributions and other benefit compensation. | | |
| Support for Information Technology | 0.00 | \$ 154,636 |
| Funding has been reallocated according to a Citywide review of information technology budget requirements and priority analyses. | | |
| Non-Discretionary | 0.00 | \$ 47,138 |
| Adjustments to reflect expenses that are determined outside of the Department's direct control. Examples of these adjustments include utilities, insurance, and rent. | | |

Risk Management

Expenditures by Category

| | | FY2002 ACTUAL | | FY2003 BUDGET | | FY2004 PROPOSED |
|------------------------|----|------------------|----|------------------|----|--------------------|
| PERSONNEL | | | | | | |
| Salaries & Wages | \$ | 3,998,432 | \$ | 4,106,104 | \$ | 4,212,747 |
| Fringe Benefits | \$ | 1,249,670 | \$ | 1,289,913 | \$ | 1,495,478 |
| SUBTOTAL PERSONNEL | \$ | 5,248,102 | \$ | 5,396,017 | \$ | 5,708,225 |
| NON-PERSONNEL | | | | | | |
| Supplies & Services | \$ | 2,362,711 | \$ | 763,269 | \$ | 740,872 |
| Information Technology | \$ | 376,815 | \$ | 810,400 | \$ | 1,026,182 |
| Energy/Utilities | \$ | 85,566 | \$ | 63,191 | \$ | 72,573 |
| Equipment Outlay | \$ | 7,812 | \$ | 7,902 | \$ | 7,902 |
| SUBTOTAL NON-PERSONNEL | \$ | 2,832,904 | \$ | 1,644,762 | \$ | 1,847,529 |
| TOTAL | \$ | 8,081,005 | \$ | 7,040,779 | \$ | 7,555,754 |

Key Performance Measures

| | | FY 2002 ACTUAL | FY 2003 BUDGET | FY 2004 PROPOSED |
|--|-----|-------------------|-------------------|---------------------|
| Average cost per safety evaluation | (1) | N/A | N/A | \$256 |
| Average cost for managing each public liability claim | | \$364 | \$317 | \$338 |
| Average cost for managing each City employee's benefits | | \$126 | \$143 | \$154 |
| Average cost for managing each workers' compensation claim | | \$618 | \$699 | \$742 |

(1) Measure has been revised to reflect Division's new role within the City.

Risk Management

Salary Schedule

RISK MANAGEMENT ADMINISTRATION

Risk Management

| <i>Class</i> | <i>Position Title</i> | <i>FY 2003 Positions</i> | <i>FY 2004 Positions</i> | <i>Salary</i> | | <i>Total</i> |
|------------------------------|-------------------------------------|------------------------------|------------------------------|---------------|---------|---------------------|
| 1105 | Administrative Aide I | 0.50 | 0.50 | \$ | 37,986 | \$ 18,993 |
| 1106 | Sr Management Analyst | 1.00 | 0.00 | \$ | - | \$ - |
| 1218 | Assoc Management Analyst | 0.00 | 1.00 | \$ | 55,514 | \$ 55,514 |
| 1256 | Benefits Representative II | 7.00 | 7.00 | \$ | 34,975 | \$ 244,823 |
| 1340 | Claims Aide | 10.25 | 10.25 | \$ | 38,983 | \$ 399,575 |
| 1341 | Claims Clerk | 12.25 | 12.25 | \$ | 32,852 | \$ 402,442 |
| 1343 | Claims Representative II | 15.75 | 15.75 | \$ | 56,116 | \$ 883,832 |
| 1349 | Info Systems Analyst III | 1.00 | 1.00 | \$ | 62,954 | \$ 62,954 |
| 1391 | Supv Claims Representative | 4.00 | 4.00 | \$ | 67,722 | \$ 270,889 |
| 1406 | Employee Assistance Counselor | 2.00 | 2.00 | \$ | 55,698 | \$ 111,395 |
| 1407 | Employee Benefits Specialist II | 1.00 | 1.00 | \$ | 57,531 | \$ 57,531 |
| 1417 | Employee Benefits Specialist I | 2.00 | 2.00 | \$ | 47,602 | \$ 95,204 |
| 1429 | Employee Assistance Program Manager | 1.00 | 1.00 | \$ | 71,232 | \$ 71,232 |
| 1535 | Clerical Assistant II | 3.00 | 3.00 | \$ | 30,468 | \$ 91,404 |
| 1811 | Rehabilitation Coordinator | 1.00 | 1.00 | \$ | 62,037 | \$ 62,037 |
| 1816 | Claims & Insurance Manager | 2.00 | 2.00 | \$ | 76,105 | \$ 152,210 |
| 1823 | Safety Officer | 4.00 | 3.00 | \$ | 61,408 | \$ 184,225 |
| 1826 | Safety Representative II | 6.00 | 6.00 | \$ | 53,340 | \$ 320,037 |
| 1876 | Executive Secretary | 1.01 | 1.01 | \$ | 46,240 | \$ 46,702 |
| 1879 | Sr Clerk/Typist | 1.00 | 1.00 | \$ | 38,040 | \$ 38,040 |
| 1917 | Supv Management Analyst | 0.00 | 1.00 | \$ | 71,076 | \$ 71,076 |
| 1937 | Sr Claims Representative | 3.00 | 3.00 | \$ | 62,037 | \$ 186,111 |
| 1972 | Safety & Training Manager | 1.00 | 1.00 | \$ | 71,232 | \$ 71,232 |
| 2111 | Asst City Manager | 0.01 | 0.01 | \$ | 172,100 | \$ 1,721 |
| 2157 | Risk Management Director | 1.00 | 1.00 | \$ | 123,324 | \$ 123,324 |
| 2214 | Deputy Director | 1.00 | 1.00 | \$ | 104,157 | \$ 104,157 |
| | Ex Perf Pay-Classified | 0.00 | 0.00 | | - | \$ 4,040 |
| | Temporary Help | 0.00 | 0.00 | | - | \$ 82,047 |
| | Total | 81.77 | 81.77 | | | \$ 4,212,747 |
| RISK MANAGEMENT TOTAL | | 81.77 | 81.77 | | | \$ 4,212,747 |

Risk Management

Five-Year Expenditure Forecast

| | FY 2004 PROPOSED | FY 2005 FORECAST | FY 2006 FORECAST | FY 2007 FORECAST | FY 2008 FORECAST |
|-----------------------|---------------------|---------------------|---------------------|---------------------|---------------------|
| Positions | 81.77 | 90.52 | 91.52 | 92.52 | 92.52 |
| Personnel Expense | \$ 5,708,225 | \$ 6,466,317 | \$ 6,716,422 | \$ 6,974,031 | \$ 7,183,252 |
| Non-Personnel Expense | \$ 1,847,529 | \$ 1,950,155 | \$ 2,014,160 | \$ 2,078,084 | \$ 2,240,427 |
| TOTAL EXPENDITURES | \$ 7,555,754 | \$ 8,416,472 | \$ 8,730,582 | \$ 9,052,115 | \$ 9,423,679 |

Risk Management

Fiscal Year 2005

Addition of 2.00 Benefit Representative II positions, 3.75 Claims Representative II positions, 1.00 Insurance Claims Manager, 1.00 Supervising Claims Representative, 1.00 Information Systems Analyst will be required for ongoing program enhancements, anticipated workload increase and to maintain the current level of service. Support will also be required for office supplies and new hires for benefits enrollment and maintenance, Public Liability, and Workers' Compensation.

Additional funding of \$35,000 will be required for the Employee Savings Trustee Board, training and certifications, equipment, the Policy and Procedures Manual, training costs, equipment outlay, and automation efforts.

Fiscal Year 2006

Addition of 1.00 Claims Representative II and support will be required for ongoing program enhancements, anticipated workload increase, and to maintain the current level of service.

Additional funding will be required for purchase of a document scanner, and automation. Reduction of onetime expenditures will also be necessary.

Fiscal Year 2007

Addition of 1.00 Claims Representative II and support will be required for ongoing program enhancements, anticipated workload increase, and to maintain the current level of service.

Reduction of onetime expenditures will also be necessary.

Fiscal Year 2008

Support will be required for automation expansion and to maintain current level of service. Reduction of onetime expenditures will also be necessary.

Risk Management

Revenue and Expense Statement

RISK MANAGEMENT ADMINISTRATION 50061

| | FY 2002 ACTUAL | FY 2003 ESTIMATED | FY 2004 PROPOSED |
|---|---------------------|----------------------|---------------------|
| BEGINNING BALANCE AND RESERVE | | | |
| Balance from Prior Year | \$ 1,626,311 | \$ 840,478 | \$ 385,408 |
| Prior Year Reserves | \$ 64,195 | \$ 73,707 | \$ 73,707 |
| TOTAL BALANCE | \$ 1,690,506 | \$ 914,185 | \$ 459,115 |
| REVENUE | | | |
| City Contributions - General Fund | \$ 5,024,358 | \$ 5,020,495 | \$ 4,224,000 |
| City Contributions - Other Funds | \$ 1,841,921 | \$ 1,840,505 | \$ 2,376,000 |
| Miscellaneous Revenue | \$ 16,118 | \$ 249,812 | \$ 9,500 |
| Services Rendered to Others | \$ 422,288 | \$ 528,090 | \$ 500,000 |
| TOTAL REVENUE | \$ 7,304,685 | \$ 7,638,902 | \$ 7,109,500 |
| TOTAL BALANCE AND REVENUE | \$ 8,995,191 | \$ 8,553,087 | \$ 7,568,615 |
| EXPENSE | | | |
| OPERATING EXPENSE | | | |
| Operating Expenses | \$ 6,836,182 | \$ 7,281,560 | \$ 7,555,754 |
| Prior Year Expenses | \$ 25,312 | \$ - | \$ - |
| Transfer to Other Funds | \$ 1,219,512 | \$ 812,412 | \$ - |
| TOTAL OPERATING EXPENSE | \$ 8,081,006 | \$ 8,093,972 | \$ 7,555,754 |
| TOTAL EXPENSE | \$ 8,081,006 | \$ 8,093,972 | \$ 7,555,754 |
| RESERVE | | | |
| Reserve for Advances | \$ 24,266 | \$ 24,266 | \$ - |
| Reserve for Encumbrances | \$ 49,441 | \$ 49,441 | \$ - |
| TOTAL RESERVE | \$ 73,707 | \$ 73,707 | \$ - |
| TOTAL RESERVE | \$ 73,707 | \$ 73,707 | \$ - |
| BALANCE | \$ 840,478 | \$ 385,408 | \$ 12,861 |
| TOTAL EXPENSE, RESERVE AND BALANCE | \$ 8,995,191 | \$ 8,553,087 | \$ 7,568,615 |